

“More New Products Faster” - The Process Approach

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Introduction

The World today seems absolutely bonkers. Effective product development, the ability to beat the competition in the introduction of reliable, cost-effective, and innovative new products and services to satisfy fragmented mini-markets is the challenge facing virtually all businesses. To remain competitive “more new products faster” must become the battle cry. Face it, new products and services are the life blood of any business, the business that can deliver more new products faster and in half of the time that the competition does has a significant advantage. Being the first one into the new niche markets is an advantage, especially if you are the business that created that new market. At best, the competition can only “me too” the market place.

New Products and Your Business Strategy

The development and introduction of new products or services has a direct relationship to the business strategy that you embrace. Business today is complex and business strategies have followed in their complexity. High performance businesses, however, do a much better job of focusing their value delivery core processes to better support a much more highly focused business strategy. The market place has identified three dominant strategic positions: lowest price/cost, superior product, and best total value. The core value delivery processes needed to support a "superior product" dominated strategy differ from the core value delivery processes needed to support a "lowest price/cost" dominated strategy, and again from a "best total value" dominated strategy.

Without agreement to a dominant business strategy, it becomes very easy for a company to try to be all things to all customers and to attempt to have their business processes support all three. This proves to be virtually impossible and ultimately results in poor customer satisfaction and loss of market share.

History and experience have shown that no company can succeed in the long run trying to be all things to all customers. The most successful companies find a unique value that it alone can deliver to a specific market or customer base. Choosing one strategy to master does not mean that the company ignores or abandons the other two, only that it focuses on a specific strategy to create a unique value for its chosen customers and to establish its market reputation. Today, market leaders understand the battle that rages

for customers. They realize they must constantly redefine value by continuously raising customer expectations toward their chosen value strategy.

The characteristics of a "lowest price/cost" dominated strategy include low price, high reliability, hassle-free basic service, superior service error recovery, lots of advertising, limited product variety, and products without the latest features. The process to develop new products or services must support these characteristics and typically are evolutionary and also low risk.

The characteristics of a "superior product" dominated strategy include breakthrough product capabilities, product features with major benefits, big bang product launches and events, high price--but worth it, could have lots of basic service snags, sometimes limited help in selecting and applying the product, typically an engineering-driven company. The process to develop new products or services must support these characteristics and typically are revolutionary and also very high risk.

The characteristics of a "best total value" dominated strategy include a superior understanding of the customer's business. Your advice is valued because of your expertise in areas of customer need. Service is tailored or customized for each customer. Never the product innovator but a quick follower. Products without the latest features; very relationship-oriented; normally more expensive but the customer believes it is worth it. The process to develop new products or services must support these characteristics and typically are incremental and also moderate to high risk.

While all businesses are made up of a network of processes, the dominant strategy should drive a focus on superior "core process" performance, unique to that dominant strategy.

If the business elects to focus on a dominant strategy of "lowest price/cost" then the obvious core value delivery process would be "end-to-end supply chain management."

By that I mean a committed focus to minimizing overhead costs, elimination of production steps, reduced transactions, and optimization of the business processes across functional and organizational boundaries, internally as well as externally. The focus is on delivering products or services to the customers at very competitive prices with minimal inconvenience at the lowest possible cost. These types of businesses are built in a very standardized, centralized, and directed way.

If a business elects to focus on a dominant strategy of "superior product" then the obvious core value delivery process would be "new product development/introduction," with special emphasis on time-to-market and market exploitation. This strategy requires the business to challenge itself three ways: (1) it must be incredibly creative - this means recognizing and embracing ideas, even if they come from the outside; (2) it must be able to commercialize these ideas very quickly; and (3) it must pursue new solutions to problems their products have already solved. Their mind set is that if anyone is going to render them obsolete they want to do it. Their core value delivery process focus is engineered for speed and they have a fluid infrastructure and management system to manage risk well.

If a business elects to focus on a dominant strategy of "best total value" then the obvious core value delivery process would be, "sensing and servicing customer requirements/needs," with special emphasis on mass customization, service recovery and customer retention. In addition, they must be very good at targeting the "right" customers and then acquire them. They continually tailor and shape products and services to fit an increasingly refined definition of their customer. While this is expensive, they are willing to spend now to develop a long-term relationship, always stressing customer loyalty. They look at the customer's lifetime value to the business, not the value of any single transaction.

Sustained success requires core business processes to possess certain assets that continually enhance performance and value. These also should not be duplicated easily by the competition. To provide an unmatched value to your customer, you must have an unmatched way of operating your business. If your core value delivery processes do not have a coherent design, if you don't have a control system, a reward and recognition system, and a culture all working together to support the selected business strategy, it can become virtually impossible to be the best. To re-engineer your business to excel in one business strategy doesn't mean you should ignore the other two strategies. Your new design also must strive to maintain a minimum level of performance in the other two.

The selection of the correct strategy is dependent on the answers to the following questions:

- (1) What type of customers do we want to have? (*Can you define an ideal customer profile?*);

- (2) What do these customers require/need? (*Can you uncover the unstated needs and turn them into requirements for leverage?*);
- (3) What are my competitors' capabilities? (*Can you clearly and honestly determine where you match? Have an advantage? A disadvantage?*); and
- (4) What strengths or capabilities do you possess that can be exploited as a natural advantage?

The goal of this research is to determine what percentage of customers would value which strategy and which market to dominate. Letting a customer go is a hard decision that all market leaders make. Your strategy must fit your culture. On the face of it, selecting a single strategy seems costly; however, it is quite the opposite. The only way you can afford to treat your customers, your employees, and your shareholders right is to have a superior operating model to create greater value.

To truly take advantage of re-engineering as a customer value proposition driver the following rules must be embraced:

- (1) Offer the very best, unsurpassed deal in your marketplace!
- (2) Strive to make the deal better every day, every week, every month, and every year!; and
- (3) There are no other rules!!!!!!!

Time

There are three absolute truths about the element of time: It is a very precious resource, it is seldom on your side, and the longer that something takes the more expensive it becomes. Businesses have found these truths incredibly relevant whenever they have attempted to operationalize the new product development initiative. The inability to achieve new product development objectives (compressed development time, reduced cost, and high quality) has caused many businesses to be overrun by very formidable competition. The fundamental problem that many businesses have is that they try to apply their current paradigm for new product development with an emphasis on only doing it faster. The focus is on managing the people better, pushing them harder, not on changing the process to reflect the characteristics necessary to support the dominate

strategy.

The Three rules of Effective Product Development

Changing the business paradigms requires the mastery of these three rules: Know your competitors, know your product development capability, and act precisely and decisively.

Knowing your competitors is essential to avoid the “we know best” syndrome. The tendency is to focus on one business issue at a time. We also tend to seek excellence by searching for “what” and “how” solutions. While “what” and “how” criteria is important, we must also seek the “why” and “when” as well. This requires us to not only understand our own business fundamentals but also the underlying motivations of the obvious performance indices of the competition. This holistic approach can enable us to more accurately compare and effectively apply the best practices of the competition to our new product development process. If you see someone doing something and it works, copy it, if it works very well, copy it quickly.

Knowing your product or service development capability is critical to success. You must be honest with yourself. Your customers award their business to you. It is their perceived value of your products or services that either makes or breaks your business. Thus one of your business objectives must be to create a product or service development capability or process that satisfies the greatest number of customers within the dominate strategy.

Acting precisely and decisively implies the need to prepare as well as the need to act. A “ready-fire-aim” philosophy seldom breeds success, likewise a “ready-aim-aim-aim-aim-fire” just does not work. The approach that seems to be more common in the successful business is the “ready-aim-fire-fire-fire-fire-fire” philosophy. In other words do a through job of planning, insure that the direction is correct, and execute. You can’t fix the problem after the fact by throwing more resources into the breach.

The Classic Approach

The classical approach to new product or service development is imbedded in the management approach to the business, sequential product design, competitive bidding, multiple suppliers, just in case inventory, functional organization structures, quality through inspection, market research models, engineering designs, hierarchic management, and islands of automation. This mind set embraces a set of paradigms

that virtually guarantee that you will continue to do things the same way that you have always done them, and most likely achieve the same results so long as the world doesn't move. To break out of the existing new product or service development process requires that you embrace a new set of business paradigms.

The Process Approach

A process is defined as a bounded group of interrelated work activities providing output of greater value than the inputs; it is essentially a method for doing things. A well-managed business process has the following characteristics:

- Clearly defined ownership,
- Defined boundaries and interfaces,
- Documented workflows,
- Clearly defined control points,
- Established measures, and
- Control over process deviations.

The utilization of a process approach to new product or service development is a function of the paradigms of the management of the business. Do they embrace, simultaneous/concurrent engineering, supplier partnerships, single sourcing, just-in-time inventories, cross functional teams, quality at the source, listening to customers requirements as well as trying to uncover their needs, design for manufacturing as well as assembly, total employee engagement, and flow manufacturing as well as logistics? The process itself will be considerably different depending on the selected business strategy. The time and energy invested in the development of the new product or service can and probably will vary based on the process.

A well-designed structured process for new product or service development would consist of the following major elements:

- Concept,
- Concept Development,
- Product/ Service Development,
- Full Scale Production, and
- Product/Service Introduction.

Each of these elements must be creatively developed to support the dominant strategy

selected. In addition, it is necessary to establish criteria to bring closure and agreement to each of these elements as you progress through the process.

Conclusion

Managing new product or service development with a process approach is not a revolutionary new concept. Most companies have developed some type of product or service development process. Regardless of their intent, traditional development approaches generally fall within two categories, the first being a formalized, stringent, and very uncompromising technical process that stifles organizational flexibility and creativity. The second is typically so undefined that it results in only “me too” type products if at all.

Neither approach fits today’s competitive atmosphere. As a result, both of these approaches are more hype than reality. They hinder more than help and seldom fulfil their intended purpose: to channel and facilitate organization creativity toward satisfying customers’ needs. The critical nature of this issue cannot be overstated! Each day you perpetuate an ineffective product or service development process, the less competitive you become.

Customers continue to become more, not less, knowledgeable and sophisticated. In Turn, they are demanding a greater, not lesser, array of innovative, complex, and WOW products. Who will meet these challenges? The answer is the most talented, creative, and innovative people and companies. An effective product or service development process must balance and integrate creative people needs with those of effective supporting processes and business strategies.